



## Service Retirement Facts

# NONCONTRIBUTORY PLAN

### EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII

201 Merchant Street, Suite 1400  
Honolulu, Hawaii 96813-2980

<http://www4.hawaii.gov/ers>

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This information is available in alternate format. Please call us at 586-1735 for information.

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## **SERVICE AND AGE REQUIREMENTS**

### Service Retirement— Full

- Age 62 with a minimum of 10 years of credited service, or
- Age 55 with a minimum of 30 years of credited service, or
- 25 years of credited service regardless of age and no age reduction if employed for the last 5 years as a sewer worker or water safety officer, or
- Graduated retirement regardless of age and no age reduction for emergency medical technicians (Act 199/03) with the following years of credited service (and the last 5) in that capacity:

<u>Years of Service</u>	<u>Retirement Date</u>
28	7/1/2005
27	7/1/2006
26	7/1/2007
25	7/1/2008 and thereafter

### Service Retirement— Early

- Age 55 with at least 20 years but less than 30 years of credited service
- Reduction factor will be 6% for each year under age 62

### Service Retirement— Vested/Deferred (leave government service before attaining age 62)

- Age 65 with a minimum of 10 years of credited service (unreduced benefit), or
- Age 55 with a minimum of 30 years of credited service (unreduced benefit), or
- Age 55 with at least 20 years but less than 30 years of credited service, 6% age reduction penalty for each year between age 55 and 62

There is no vested retirement pension payable if the member dies after terminating membership and prior to retiring.

***Unused sick leave credits cannot be used to meet any eligibility requirements.***

## **SERVICE RETIREMENT BENEFIT FORMULA**

**$1\frac{1}{4} \% \times \text{Years of Credited Service} \times \text{Average Final Compensation (AFC)}$**

If the member is eligible for early retirement, pension shall be computed like a full retirement and reduced  $\frac{1}{2}$  of 1% (.005) for each month under age 62.

If the member is eligible for vested retirement, pension shall be computed like a full retirement and payable when the member attains age 65. However, if you have 20 or more years of credited service, you may apply for early retirement and receive a reduced pension at age 55. There are no vested retirement benefits payable if the member dies after terminating membership and prior to age 65.

## **AVERAGE FINAL COMPENSATION**

Average Final Compensation (AFC) is the average annual pay or salary including overtime earned by a member during the three highest years excluding any lump sum vacation pay. For those employees who were members before January 1, 1971, AFC is the average annual pay or salary earned during the five highest years of creditable service including any lump sum vacation payment.

## **SICK LEAVE CREDIT**

If a member has at least 60 days of unused sick leave at retirement and leaves government service in good standing, the unused sick leave will be converted to additional service credit at the rate of one additional month of service for each 20 days of unused sick leave. Any remaining balance of ten or more days will provide one more month of service credit.

## **HOW TO APPLY FOR RETIREMENT BENEFITS**

Any member who qualifies for service retirement may retire by filing an application with the ERS. Applications are available on the ERS website at <http://www4.hawaii.gov/ers> or by calling the ERS office.

Counseling and assistance in completing the application form are available at the ERS office by appointment. Group filing sessions are scheduled periodically throughout the year.

Retirement applications must be notarized. Notary services are provided at all ERS locations at no charge. Your retirement date must be the first of the month except for December when retirement can be either the 1<sup>st</sup> or the 31<sup>st</sup> of the month.

An application may be filed with the ERS office as early as 150 days before but not less than 30 days before the retirement date.

## **HOW TO APPLY FOR RETIREMENT BENEFITS** *(Continued from page 2)*

In the event a member dies after filing a retirement application but before the member's retirement date, or if death occurs within one year of retirement, the designated beneficiary may elect to receive the survivor benefit for the option selected by the member, or the ordinary death benefit (Option B Beneficiary Benefit).

A member is restricted to filing only three service retirement applications. The first two may be cancelled prior to the effective date of retirement, however, withdrawal of the third application is not allowed, and retirement will be mandatory on the date specified in that application.

The ERS must provide written notification of a member's retirement date, option selection, and beneficiary designation to the member's spouse/reciprocal beneficiary.

## **RETIREMENT ESTIMATES**

Members who do not have serious intentions of immediate retirement may use the retirement calculator available on the ERS website which can be found at <http://www4.hawaii.gov/ers> (select Benefits Calculators from left menu bar). The calculator will provide a reasonably accurate estimate of retirement pensions under all options.

## **POST RETIREMENT INCREASES**

Every retiree's basic retirement pension is increased by 2 ½ % on each July 1<sup>st</sup>, beginning the calendar year after retirement. The 2 ½ % post retirement increase is based on the original retirement pension and is not compounded. This is a cumulative increase without a ceiling.

## **TAXATION OF RETIREMENT BENEFITS**

Retirement pensions are subject to Federal income taxes but are exempt from Hawaii State income taxes. The ERS will provide the necessary tax information by January 31<sup>st</sup> of each year.

## **RETIREMENT OPTIONS**

An option selection should be made at the time the retirement application is filed. Option changes are only allowed prior to the effective date of retirement. A member may select to retire under one of the following options:

### ***MAXIMUM ALLOWANCE***

<u>Features</u>	<u>Retiree</u>	<u>Beneficiary</u>
<ul style="list-style-type: none"> <li>Maximum monthly pension</li> </ul>	<ul style="list-style-type: none"> <li>Highest monthly pension for life</li> </ul>	<ul style="list-style-type: none"> <li>No lifetime survivor benefit</li> <li>Receives entire month of retiree's last pension payment upon retiree's death</li> <li>Trust, estate, or multiple beneficiaries allowed</li> <li>Beneficiary changes allowed</li> </ul>

### ***OPTION A—50% JOINT AND SURVIVOR***

<u>Features</u>	<u>Retiree</u>	<u>Beneficiary</u>
<ul style="list-style-type: none"> <li>Reduced monthly pension</li> <li>50% survivor benefit for only one beneficiary</li> <li>Reduction of retiree's pension based on age difference between retiree and beneficiary at the time of retirement. The younger the beneficiary, the greater the reduction.</li> </ul>	<ul style="list-style-type: none"> <li>Reduced monthly pension for life</li> <li>Higher monthly pension than Option B</li> <li>Should the beneficiary predecease the retiree, retiree's pension converts to the Maximum Allowance</li> </ul>	<ul style="list-style-type: none"> <li>Receives one-half of both monthly benefit and post retirement increases for life even if change in marital status occurs</li> <li>Continued post retirement increases for life</li> <li>NO beneficiary changes allowed even if marital status changes or beneficiary dies</li> <li>Suited for beneficiary who is not totally dependent on retiree's pension and who has other sources of income</li> <li>Beneficiary must be an individual</li> </ul>

## **OPTION B—100% JOINT AND SURVIVOR\***

*\*IMPORTANT NOTICE: Rule changes affecting 100% joint & survivor retirement options with non-spouse beneficiary*

<u>Features</u>	<u>Retiree</u>	<u>Beneficiary</u>
<ul style="list-style-type: none"> <li>• Reduced monthly pension</li> <li>• 100% survivor benefit for only one beneficiary</li> <li>• Reduction of retiree's pension based on age difference between retiree and beneficiary at the time of retirement. The younger the beneficiary, the greater the reduction</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced monthly pension for life</li> <li>• Should the beneficiary predecease the retiree, retiree's pension converts to the Maximum Allowance</li> </ul>	<ul style="list-style-type: none"> <li>• Receives SAME monthly benefit as retiree for life even if change in marital status occurs</li> <li>• Continued post retirement increases for life</li> <li>• NO beneficiary changes allowed even if marital status changes or beneficiary dies</li> <li>• Especially suited for beneficiary who is dependent upon retiree's pension and who has little or no other source of income</li> <li>• Beneficiary must be an individual</li> </ul>

## **OPTION C—TEN YEAR GUARANTEE**

<u>Features</u>	<u>Retiree</u>	<u>Beneficiary</u>
<ul style="list-style-type: none"> <li>• Reduced monthly pension</li> <li>• 100% survivor benefit for only one beneficiary for UP TO TEN YEARS</li> <li>• Short term financial benefit for beneficiary whose needs are critical during the first 10 years of retirement</li> <li>• No lifetime survivor benefit for the beneficiary</li> <li>• If retiree lives for 10 or more years after retirement, there is no continued pension for the beneficiary upon the retiree's death</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced monthly pension for life</li> <li>• Higher monthly lifetime pension than OPTIONS A or B</li> </ul>	<ul style="list-style-type: none"> <li>• Receives SAME monthly benefit as retiree and continued post retirement increases ONLY for balance of the remaining 10-year period after retirement</li> <li>• Beneficiary must be an individual</li> <li>• Beneficiary changes allowed</li> </ul>

### OPTION COMPARISON SUMMARY

<b>OPTION</b>	<b>Pension to Retiree</b>	<b>Benefit to Beneficiary</b>	<b>Pop-Up Benefit For Retiree</b>
<b>Maximum Allowance</b>	Highest Pension Allowance	<u>No lifetime survivor benefit</u> for the beneficiary	None
<b>OPTION A (50% Joint Survivor Benefit)</b>	Reduced Pension Amount (depending on ages of both pensioner and beneficiary)	Lifetime survivor benefit of 50% of both monthly pension amount and any cumulative post retirement increase	Converts to the Maximum Allowance upon death of beneficiary
<b>OPTION B (100% Joint Survivor Benefit)</b>	Reduced Pension Amount (depending on ages of both pensioner and beneficiary)	Lifetime survivor benefit of 100% of both monthly pension amount and any cumulative post retirement increase	Converts to the Maximum Allowance upon death of beneficiary
<b>OPTION C (Ten-Year Guarantee)</b>	Reduced Pension Amount	The same monthly allowance plus any cumulative post retirement increases for only the balance of the remaining 10-year period after retirement	None



## CONTACTING THE ERS

The Employees' Retirement System (ERS) office is located at the corner of Merchant and Alakea Streets on the 14<sup>th</sup> Floor of the City Financial Tower in downtown, Honolulu. Validated parking is available in the building. The entrance to the City Financial Tower parking lot is on Richards Street.

Office hours are from 7:45 a.m. to 4:30 p.m. Monday through Friday (except Holidays).

Oahu: City Financial Tower  
201 Merchant Street, Suite 1400  
Honolulu, HI 96813  
  
Benefits Branch: (808) 586-1735  
Fax: (808) 587-5766

Hawaii: 101 Aupuni Street, Suite 208  
Hilo, HI 96720  
  
974-4077, 974-4076  
or Toll-Free to Oahu @ 974-4000 Ext. 61735

Kauai: 3060 Eiwa Street, Room 302  
Lihue, HI 96766  
  
274-3010, 274-3011  
or Toll-Free to Oahu @ 274-3141 Ext. 61735

Maui: 54 S. High Street, Room 218  
Wailuku, HI 96793  
  
984-8181, 984-8282  
or Toll-Free to Oahu @ 984-2400 Ext. 61735

Molokai/Lanai Toll-Free to Oahu @ 1-800-468-4644 Ext. 61735

US Mainland Only Toll-Free to Oahu @ 1-888-659-0708

Website: <http://www4.hawaii.gov/ers>